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COMMODITIES DAILY

The Commodities Feed: Oil supported by geopolitical risks despite supply gains

ICE Brent continues to find support around the $100/bbl level, with geopolitical risks outweighing an improvement in the supply picture



Source: Shutterstock

Energy — Persian Gulf supply increases

While there are growing signs of a recovery in oil flows from the Persian Gulf, the market remains nervous about potential supply disruptions from the region. This is keeping prices well-supported for now. This nervousness is likely to persist until there are signs of progress in a deal between the US and Iran. In the meantime, the risk of further escalation remains very real.

Reports yesterday said Saudi Arabia's East-West pipeline was targeted again. It only recently returned to operation following an earlier attack. Though the latest attack doesn't appear to have disrupted flows through the pipeline, it's a reminder that flows remain at risk.

Oil producers in the Persian Gulf continue to adapt to the region's situation. Kuwait said that it is producing at 75% of pre-war levels, while the Saudis also cut the official selling price of their Arab Light into Asia for November loadings, a sign of an improving supply picture.

The European gas market remains vulnerable, despite signs of a more recent pick-up in LNG flows from the Persian Gulf. EU gas storage is just shy of 73% full. This is down from 83% at the same stage last year, and below the 5-year average of 88%. While injections have been stronger than the seasonal average through September, the region will still struggle to hit storage targets ahead of the winter. How tight the market is through the winter will now largely depend on the weather. A strong El Niño this year will raise hopes for a milder winter.

Metals — Copper edges higher

Copper edged higher as the market continues to draw support from tight physical conditions. Concerns over potential US copper tariffs have encouraged metal to flow into the US market, leaving inventories elsewhere relatively constrained. Demand linked to electrification, renewable energy infrastructure and data centre investment continues to provide an underlying source of strength for the red metal.

Meanwhile, trading volumes remained relatively subdued due to the ongoing Golden Week holiday in China.

In precious metals, gold edged higher as investors sought safe-haven assets amid growing fiscal concerns in Europe. However, gains may remain capped by elevated Treasury yields, persistent inflation concerns and a firmer US dollar.

Agriculture — Sugar rally extends on supply concerns

Sugar prices rose for a third consecutive session, with No. 11 raw sugar climbing more than 4% and breaking above USc20/lb. The rally is being driven by mounting concerns over tightening global supplies as adverse weather conditions threaten production across key producing regions. El Niño-related disruptions have shifted market expectations from a projected surplus earlier in the year to a potential global deficit.

In Brazil, excessive rainfall has disrupted cane harvesting and crushing operations, contributing to a sharp decline in Center-South sugar production. In India, below-normal monsoon rainfall has lowered production forecasts, while European sugar beet yields are expected to be 11% below the five-year average.

Data from Ukraine's Agriculture Ministry shows that grain and legume exports so far in the 2026/27 harvest season fell 26% year-on-year to 5.4mt as of 5 October. Total corn shipments more than doubled to 2mt, while wheat shipments fell 43% YoY to 2.9mt. The decline in overall exports reflects ongoing disruptions to Black Sea trade flows amid continued Russian and Ukrainian attacks. These have added uncertainty to regional shipping and logistics.

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